

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (11/7):**

**BUTTER:** Grade AA closed at \$1.2000. The weekly average for Grade AA is \$1.1908 (N.C.).

**CHEESE:** Barrels closed at \$1.3950 and blocks at \$1.4300. The weekly average for barrels is \$1.3920 (-.0915) and blocks, \$1.4450 (-.0980).

**BUTTER:** Demand for butter is fairly strong as Thanksgiving orders are being filled. Many chain stores have their butter in their warehouses or distribution channels. In many areas of the country, retail promotions are being readied for the Thanksgiving holiday with indications that this promotional activity will continue through the end of the year. Churning activity across the country ranges from fair to strong depending on cream availability. Often Class II cream based dairy products such as cream cheese, sour cream, and bottled cream are absorbing surplus cream offerings as producers prepare products for the holidays. Butter stocks are sufficient for current needs, although fresh butter production is often not keeping pace with demand, thus butter inventories are declining.

**CHEESE:** The cheese market is weak. Cash prices declined at the Chicago Mercantile Exchange. The price change on two consecutive days for barrels exceeded 10 cents in both directions. Cheese demand is uneven. Strikes at some grocery chains, Thanksgiving needs, and concerns about inventory value loss are factors in buyers' decisions. Others have maintained minimal inventory and need to keep purchasing. Cumulative estimated U.S. cheddar output during the first 9 months of 2003 totals 2.090 billion pounds, down 70.6 million pounds (-3.3%) from a year earlier. Total cheese production during the same period in 2003 reached 6.417 billion pounds, up 23.0 million pounds (0.4%) from 2002.

**FLUID MILK:** Milk production patterns across much of the country are beginning to develop along seasonal marks. In the Northwest, milk is slowly rebounding from the low summer levels as the temperatures cool. In Arizona and California, conditions are also cooler, but the milk flow is slow to respond. The effects of recent hot weather and feed problems are limiting the rebounding of milk. Fat and protein in milk are increasing. Midwestern milk production is trending only slightly higher on a week to week basis. In the Northeast, milk output is leveling off at seasonal low marks. More milk is moving to bottlers. Increases in milk supplies in the Southeast are slowing. Florida's output is increasing slowly and lessening the need for supplemental milk. Several areas of the country remain affected

by the grocery strike with southern California hit the hardest. Milk orders are being cancelled for some bottlers, while others have increased orders. Clerks returned to work in Missouri. Cream-based holiday items are being produced in earnest ahead of orders.

**DRY PRODUCTS:** Nonfat dry milk prices are mostly steady in all regions. Buying interest is fair for the current limited spot offerings, but there is more unsettledness as usage by cheese makers is being scrutinized as cheese prices fall. Dry buttermilk prices are higher in the Central and Western regions and nominal. Spot sales are hard to find as most of current production is moving to past due and current contract sales. Dry whey prices are unchanged and the market tone is steady. Offerings vary across the country but product is available from more producers and resellers than in recent weeks. Whey protein concentrate prices are trending higher as trade activity improves. Supplies are in better balance.

**CCC:** During the week of November 3 - 7, CCC purchased 4,363,056 net pounds of nonfortified NDM from the West.

**OCTOBER AGRICULTURAL PRICES (NASS):** The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in October 2003 advanced 1 point to 130. Compared with October 2002, the index was up 5 points (4.0%). The index of prices received by farmers for dairy products advanced 3 points during the month of October 2003 to 113. Compared with October 2002, the index was up 20 points (21.5%). Prices received by farmers in October with changes from September were: for All Milk, \$14.80, up \$.40; for Fluid Grade Milk, \$14.80, up \$.40; and for Manufacturing Grade Milk, \$14.40, up \$.30.

**SEPTEMBER DAIRY PRODUCTS (NASS):** Butter production was 72.8 million pounds in September, 21.6% below September 2002 but 3.8% above August 2003. American type cheese production totaled 290.4 million pounds, 1.0% above September 2002 but 3.9% below August 2003. Total cheese output (excluding cottage cheese) was 706.3 million pounds, 3.3% above September 2002 but 0.4% below August 2003. Nonfat dry milk production, for human food, totaled 88.5 million pounds, 8.9% below September 2002 and 12.1% below August 2003. Dry whey production, for human food, was 79.3 million pounds, 6.2% below September 2002 and 4.3% below August 2003. Ice cream (hard) production totaled 71.6 million gallons, 2.5% above September 2002 but 5.5% below August 2003.

**\*\*\*\*SPECIAL THIS ISSUE\*\*\*\***

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY NOVEMBER 3	TUESDAY NOVEMBER 4	WEDNESDAY NOVEMBER 5	THURSDAY NOVEMBER 6	FRIDAY NOVEMBER 7	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4550 (-.0025)	\$1.4300 (-.0250)	\$1.2850 (-.1450)	\$1.3950 (+.1100)	\$1.3950 (N.C.)	(-.0625)	\$1.3920 (-.0915)
40# BLOCKS	\$1.4800 (-.0050)	\$1.4550 (-.0250)	\$1.4300 (-.0250)	\$1.4300 (N.C.)	\$1.4300 (N.C.)	(-.0550)	\$1.4450 (-.0980)
BUTTER							
GRADE AA	\$1.1850 (-.0075)	----	\$1.1875 (+.0025)	----	\$1.2000 (+.0125)	(+.0075)	\$1.1908 (N.C.)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)



**CHICAGO MERCANTILE EXCHANGE**

MONDAY, NOVEMBER 3, 2003

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.4825, 1 @ \$1.4800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4550; 1 CAR 40# BLOCKS @ \$1.4825

BUTTER — SALES: 15 CARS GRADE AA: 14 @ \$1.1875, 1 @ \$1.1850; BIDS UNFILLED: 3 CARS GRADE AA: 2 @ \$1.1850, 1 @ \$1.1800; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.2000, 1 @ \$1.2050, 1 @ \$1.2100

TUESDAY, NOVEMBER 4, 2003

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.4700, 1 @ \$1.4550; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4300; 1 CAR 40# BLOCKS @ \$1.4750

WEDNESDAY, NOVEMBER 5, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.2850; 5 CARS 40# BLOCKS: 1 @ \$1.4500, 1 @ \$1.4450, 2 @ \$1.4400, 1 @ \$1.4300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.4300, 1 @ \$1.4350, 1 @ \$1.4400

BUTTER — SALES: 27 CARS GRADE AA: 1 @ \$1.1850, 8 @ \$1.1875, 2 @ \$1.1850, 16 @ \$1.1875; BIDS UNFILLED: 8 CARS GRADE AA: 4 @ \$1.1850, 1 @ \$1.1825, 3 @ \$1.1800; OFFERS UNCOVERED: NONE

THURSDAY, NOVEMBER 6, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.3850; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3950; OFFERS UNCOVERED: NONE

FRIDAY, NOVEMBER 7, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 41 CARS GRADE AA: 17 @ \$1.1900, 14 @ \$1.1925, 2 @ \$1.1950, 2 @ \$1.1975, 1 @ \$1.2000, 4 @ \$1.1975, 1 @ \$1.2000; BIDS UNFILLED: 36 CARS GRADE AA: 1 @ \$1.2000, 2 @ \$1.1975, 5 @ \$1.1950, 10 @ \$1.1925, 14 @ \$1.1900, 4 @ \$1.1875; OFFERS UNCOVERED: NONE

**BUTTER MARKETS****SEPTEMBER BUTTER PRODUCTION**

During September, 2003, butter production in the United States totaled 72.8 million pounds, 21.6% less than September 2002 but 3.8% more than August 2003. The following are September to September changes for various states: CA -11.9%, NY -6.4%, PA -58.3%, and WI -25.9%.

**NORTHEAST**

The cash price at the CME continues to trade in a narrow range. Last week's fractional gains were offset by Monday's (11/3) decline. Eastern churning activity was up slightly during the past couple weekends, but cream volumes remain tight during the week. However, fresh butter supplies remain tight and printers are still micro-fixing frozen butter to meet packaged butter needs. Demand for butter is fair to good as Thanksgiving orders are being filled. Most chains have their butter in their warehouse or distribution channels. Retail sales are slow to fair as buyers seem to be waiting for features to be announced. Food service orders are improving in some areas. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

**CENTRAL**

The cash butter trading level at the CME continues to adjust within a narrow range. The midweek level of \$1.1875 is comparable to \$1.0050 last year at this time. Churning activity in the Central part of the country is mixed, depending on additional cream supplies available to butter operations. In many instances, butter producers are only working with regular sourced cream. Often additional cream offerings are quickly absorbed for Class II cream based product production. Cream cheese, sour cream, and bottled cream production schedules are seasonally very

active as they prepare stock for the year end holidays. Butter stocks remain sufficient for needs, although fresh production is not keeping pace with demand, thus inventories continue to decline. Buying interest is strong as holiday orders continue to be placed and shipped. Retail stores are preparing for upcoming Thanksgiving promotional activity and indicate that additional promotions will continue through much of December. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Cash butter prices at the CME continue to move in a narrow range. Orders for current butter are excellent for upcoming holiday needs. Time to make print butter for orders is now becoming a concern as the calendar moves on. Churning activity is increasing as more cream becomes available. Some of the cream is backing out of the cheese vats as cheese prices have declined sharply in the last ten days. Butter also continues to move out of storage to fill orders that are being shorted because of the lack of current butter. Weekly CME butter stocks declined by another 8.3 million pounds this past week to stand at 105.6 million pounds. In the last five weeks, stocks have declined by 36.0 million pounds compared to 24.6 million pounds for the same period last year. Butter feature activity seems to be moving good volumes of butter at the retail level. U.S. butter production in September totaled 72.8 million pounds, down 21.6% or 20.0 million pounds from a year earlier. Cumulative output through September totals 939.9 million pounds, down 7.9% or 81.2 million pounds from the same period in 2002. This works out to 2.0 million pounds per week less production this year compared to 2002. Output in September for the Western region totals 37.7 million pounds, 52% of the U.S. total. Production in the West was down 10.5% from a year ago. Current prices for bulk butter range from 2 cents under the market to 4 cents under the market based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
NOVEMBER 1	1.5785	1.5644	0.8119	1.1739	0.1948
	8,439,083	11,939,413	18,594,792	2,453,792	11,257,967

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>



## CHEESE MARKETS

## NORTHEAST

Prices are lower on natural and process items, unchanged on Swiss. After nearly three months (July 31 – October 28) of unchanged price, the price of 40# blocks at the CME fell more than eleven cents last week. The market tone is weak. Cheese production is mostly steady, but producers are not anxious about making too much cheese on a "down market." Buyers have slowed orders as they wait for prices to settle before getting back into the market. They do continue to take normal weekly volumes, but even these may be lessened by wholesalers working off any inventory. Also, retail outlets and foodservice buyers are also keeping inventories as current as possible. Surplus milk volumes are tight in the East and most cheese makers are operating on reduced schedules. Retail movement is steady and food service movement is fair to good. Some Thanksgiving orders are being placed, but the timing of these orders are also being affected by the current price trend.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6075-2.1125
Cheddar Single Daisies	:	1.5650-2.0300
Cheddar 40# Block	:	1.6825-1.9300
Process 5# Loaf	:	1.6925-1.8925
Process 5# Sliced	:	1.7125-1.9600
Muenster	:	1.7800-1.9725
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

## MIDWEST

The cheese market is unsettled to generally weak. Traders continue to speculate where cash cheese prices at the Chicago Mercantile Exchange may plateau though none are currently expecting prices to reach support levels. Demand is irregular, though ranging from slow to occasionally good. Most buyers are replacing depleted stocks though some are trying to get extra product in house for the fast approaching Thanksgiving activities. Besides buyers waiting for possible lower prices, grocery store strikes have interrupted orders and deliveries to firms affected as well as competing operations. Quality complaints are more frequent and order cancellations higher as prices have declined. Cheese production is about steady. Cheese yields are higher seasonally. Estimated total cheese produced in September in selected Midwestern states compared to last September is: Wisconsin 186.9 million pounds, up 1.7 million pounds (0.9%); Minnesota 46.3 million pounds, an increase of 10.1 million pounds (27.9%); Iowa 18.7 million pounds, up 1.0 million pounds (5.9%); and South Dakota 12.1 million pounds, off 328,000 pounds (-2.6%).

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6625-1.9100
Brick And/Or Muenster 5#	:	1.9900-2.2050
Cheddar 40# Block	:	1.8900-2.1150
Monterey Jack 10#	:	2.1150-2.1600
Blue 5#	:	2.2975-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8475-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
11/03/03	55,824	:	128,923
10/01/03	73,995	:	127,886
CHANGE	-18,171	:	1,037
% CHANGE	-25	:	1

## WEST

CME cash prices declined sharply last week on the Exchange and continued that trend this week. Buyers looking for number one block cheese have not changed their purchase patterns all that much even with the strong possibility of further price declines. The issue is that they have gone through the fall with very light inventories because of the relatively high prices and now need cheese on a regular basis to cover improving fall needs. Barrel cheese and processing solids are not finding quite that level of demand and sellers have to discount product to keep it moving. Stocks seem to be heavier than desired and sales activity is not up to expectations. American type cheese production in September for the U.S. was 290.4 million pounds, up 1.0% from last year. Cumulative American production for the first nine months of the year is 2.76 billion pounds, down 1.5% or 40.6 million pounds from last year. Swiss sales activity is good for this season, but stocks at some locations are heavier than desired. September production was 21.4 million pounds, virtually unchanged from last year. Cumulative output through nine months totals 192.8 million pounds, up 3.1% from 2002.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6325-1.8925
Cheddar 40# Block	:	1.6725-2.0225
Cheddar 10# Cuts	:	1.8525-2.0725
Monterey Jack 10#	:	1.8625-2.0225
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4600

## FOREIGN

Prices are unchanged to lower, particularly on domestic varieties. Despite the price change, the market tone is steady. The demand for foreign type cheese has been and is steady. The price decline may trigger some interest, but buyers will probably wait to see if prices will erode further. Imports are steady to lighter and typical for this time of year as some importers are surrendering portions of their licenses to avoid loss of volume next year. Stocks of most cheeses are adequate to cover current needs. The Euro remains strong against the Dollar.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

		NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.7200	1.9025-3.3925*
Gorgonzola	:	3.6900-5.9400	2.4200-2.4900*
Parmesan (Italy)	:	TFEWR	3.3125-3.4025*
Romano (Italy)	:	2.1000-3.1500	-0-
Provolone (Italy)	:	3.4400-5.5000	1.9100-2.1375*
Romano (Cows Milk)	:	-0-	3.1000-5.2725*
Sardo Romano (Argentina)	:	2.8500-3.2900	-0-
Reggianito (Argentina)	:	2.6900-3.2900	-0-
Jarlsberg-(Brand)	:	2.7500-3.7900	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	-0-
Swiss Cuts Austrian	:	TFEWR	-0-
Edam	:	:	:
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-3.2500	-0-
Gouda, Large	:	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	-0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	95	0	128	0	95	0
SOUTHEAST STATES	0	0	0	0	0	0

**EDITOR'S NOTE:** Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

The following are the October 2003 Class and component prices under the Federal Milk Order pricing system: Class II \$10.84 (up \$0.08 from September), Class III \$14.39 (up \$0.09); and Class IV \$10.16 (up \$0.11). The following are the product price averages used in computing Class prices: butter \$1.1611, NDM \$0.8109, cheese \$1.5936, and dry whey \$0.1892. The Class II butterfat price is \$1.2623 and the Class III/IV butterfat price is \$1.2553. Milk production is reported as steady in most of the region. The gains seen in parts of the Southeast seem to have slowed and the decreases seen in the Northeast also seem to have eased. In the more northern areas, November is often the low month of the year for milk output on a daily average basis. Fluid milk supplies are still tight. Class I needs are holding at fairly good levels. Some manufacturers are moving more milk to bottlers. The good call for skim milk and Class II condensed skim is reducing the need for dryer time and some cheese makers continue to report lighter production runs due to the tight milk supply. Bottled milk sales are steady at fair to good levels. The striking or locked out workers that shut down several large retail chains, have voted to accept a new contract and stores are reopening as quickly as they can be restocked. Florida's need for milk eased lower as production is increasing slowly. The condensed skim market is little changed from past weeks. Contract sales of Class II are moving nicely and spot interest is fair to good. Spot demand for Class III wet solids is limited. The fluid cream market is mostly steady at firm levels. Spot prices are mixed. Last week's CME butter average did increase, but it is being offset by lower multiples. Suppliers report that cream offerings are still tight and demand is improving. Contacts note that supplies often loosen up late in the week, but the opposite seems true this week. The increased usage in holiday items, the improved call from butter makers, and tight surplus milk volumes are often cited as reasons for the tight cream supply. Ice cream makers are shifting into fall/winter schedules, but most are making their holiday flavors and staying busy. Bottled cream production is picking up seasonally as is egg nog and dips. Cream cheese output is steady to heavier when extra cream may be available. Butter output is increasing as producers want more fresh butter for holiday orders. Some producers are actively looking for more cream.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5480-1.7267
DELIVERED EQUIVALENT ATLANTA	-	1.5957-1.7624 M 1.6195-1.7028
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6314-1.6671

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- 1.2000-1.3000

## M I D W E S T

Class I use is generally stronger for the first of the month. Class I and other use patterns have been affected by labor strikes at some grocery stores. Some other accounts report stronger sales, making up at least some of the difference. The potential for additional work stoppages may affect other areas so handlers are working on contingency plans. Manufacturing milk interest remains fairly light. Declining cheese prices have producers trying to minimize production to reduce the loss on inventory and to match slower sales. Reported spot manufacturing milk prices range from \$1.25 - 1.75 over class on a fairly light test. Some extra skim drying is occurring due to lower Class III needs and the substantial price difference with condensed. Cream demand is good with

producers trying to step up holiday item production of items such as whipped cream as well as starting eggnog production. Good cream demand is also noted from churners. Current milk intakes are little changed on a week-to-week basis though some loads are occasionally starting to edge higher seasonally. Snow, mixed precipitation, and localized heavy rain blanketed much of the region. Some areas set new precipitation records for the day in early November. In some areas, the precipitation deficit has been dramatically reduced and caused some localized flooding problems. Remaining tillage and harvest operations have been slowed by the wet conditions.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 30 - NOV 5	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.00- 51.00	\$ 30.00- 35.00
REPLACEMENT HEIFER CALVES	\$400.00-520.00	N.A.

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 30 - NOV 5	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 53.00	\$ 33.00- 38.00

## W E S T

The October 4a price (butter/powder) in CALIFORNIA is \$9.98, up \$0.10 from September but \$0.12 lower than last year. This compares to the Federal Order Class IV price for October at \$10.16. The October 4b price (cheese) is \$14.21, up \$0.07 from September and \$3.79 higher than last year. This compares to the Federal Order Class III price for October at \$14.39. Milk production in CALIFORNIA is mostly steady with fat and protein levels in milk improving seasonally. Bottled milk orders remain sporadic because of the grocery store strikes. Orders are adjusted more than normal as buyers analyze daily sales figures of stores. There are areas of the Central Valley that milk output is increasing at levels above last year. Other contacts are noting milk is steady to only slightly higher. Plants have capacity to handle additional supplies and some cheese producers are trying to sell milk instead of making cheese. There are other cheese producers that need to maintain and even grow production to meet orders. In the South, milk supplies are about steady despite cooler weather. Demand is returning following the containment of fires and the easing of outdoor restrictions. Despite cooler temperatures, ARIZONA milk production has leveled off following a couple weeks of slight increases. The logic seems to be that the cows have been stressed because of the extended heat this summer. Feed supplies and costs are concerns of dairy producers. Bottling milk schedules are normal to higher. There were concerns that a grocery strike would occur in the state as contracts expired, but there has been a stay as negotiations continue. The usual slight changes in the butter price at the CME continued with the market closing at \$1.1875 on 11/05, down only \$.0025 from a week earlier. Cream supplies are increasing only marginally in the region. Demand is good from holiday type cream-based producers. Churns are seeing some additional supplies of cream where cheese makers have backed off because of the fall in cheese prices. Western cream multiples are unchanged and range from 113 to 125, FOB, depending on class usage and basing point. Weather conditions have settled into a fall pattern in the PACIFIC NORTHWEST with temperatures on the cool side. Contacts are noting that tests on milk receipts are finally rebounding from the low summer levels as the weather cools. A number are commenting that they are not seeing the overall milk flow that is anticipated for this time of year. Some have to change marketing plans to take this factor into account. At this stage they are not certain if the milk will come back. Manufacturing plants are also monitoring the sharp decline in cheese prices (down 27.5 cents on barrels and 17 cents on blocks in the last two weeks) to decide how to direct milk supplies. More cream is becoming available for butter churns. Comments are noted about some additional hay movements spurred by the late fall weather patterns. A good snow cover is noted over parts of UTAH and IDAHO. The mountains above Salt Lake City have gotten as much of 50 inches of snow and the valleys have gotten around 8-10 inches. The snow/moisture is very welcome. Hay buyers are scrambling to get more hay before loading conditions worsen. Tests are coming up on milk receipts. Milk volumes seem to be adequate for needs.



**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged on a steady market. Although production of NDM is slowly increasing, manufacturer prices are generally holding steady. With decreases in the cheese price, more milk is expected into NDM dryers. Some buyers are contracting purchases for mid to late November based on this premise. CCC NDM, where available, is trading below the support price for the good interest. Buyers accustomed to purchasing resale CCC NDM are resistant to offering prices from Central and Western producers. Condensed skim supplies are increasing at some locations due to decreased interest from some Class III contractual users. Movement of condensed skim into Class II operations is steady.

EAST: Eastern prices are unchanged and the market tone remains firm. Production levels remain limited and, in some instances, even lighter than they have been. Some producers have less milk and improved skim milk sales. Others are in the down for dryer maintenance. Also, Class II condensed skim continues to move well. Producers have little or no powder available for immediate spot sale. Most are having some difficulty meeting contract shipping dates. Some traders continue to purchase NDM from CCC as a supplement to current production. The NDM from the various government exchange programs continues to be available at competitive prices. Cheese producers have been a big user of NDM since Class III condensed skim prices rose above a dollar, but with cheese prices dropping as fast as they have been, many cheese makers have cut back on NDM purchases and they are reducing cheese output. Demand for NDM, though good, seems to be slowing.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during September 2003 totaled 88.5 million pounds, down 8.9% from September 2002 and 12.1% below August 2003. Month ending stocks, at 70.4 million pounds, are 1.7% below a year ago and 6.5% lower than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8300 - .8800 MOSTLY: .8425 - .8600

HIGHHEAT: .8650 - .9450

**NONFAT DRY MILK - WEST**

Low/medium heat nonfat dry milk prices are steady with some slight changes noted within the range as weekly and monthly adjustments occurred. The market tone is mostly steady with recent weeks. Some unsettledness in the market is developing because of the fall in cheese prices over the past week. The concern is that cheese producers will use less condensed skim and NDM in cheese making. NDM production is steady to slightly higher and is often lower than projected due to milk supplies being less than expected. Current offerings are increasing slightly with some package sizes not readily available. During the week of October 27 - 31, CCC net purchases totaled 6.0 million pounds of NDM from the West. High heat prices are unchanged and the market tone steady. Demand is good and moving projected volumes. Contracted volumes are moving to seasonal accounts. U.S. NDM production in September totaled 88.5 million pounds, down 8.9% from last year and 12.1% lower than August. Year through September cumulative U.S. production is 6.3% lower than last year. September production in the Western region totaled 76.9 million pounds, down 10.2% from last year. Western states' production levels with comparisons to last year are: California, 51.0 million pounds, -7.2%; and Idaho, 5.1 million pounds, -19.7%. U.S. manufacturers' stocks at the end of September were reported at 70.4 million pounds, down 1.7% from last year and 6.5% less than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8825 MOSTLY: .8000 - .8150

HIGHHEAT: .8350 - .8500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
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October 31	\$ .8087	11,090,429	1,953,273
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October 24	\$ .8037	13,446,605	1,976,028
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Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are higher on a firm market. Churn activity is higher at some locations and movement of condensed buttermilk into ice cream is reduced, encouraging production of dry buttermilk. Overall production is light and anticipated to increase as the Thanksgiving holiday draws near. Demand is strong with some buyers attempting to secure expected loads from some operations. Without recourse, brokers and buyers are negotiating limited supplies at higher prices for holiday baking, blending and seasoning ingredient interest. Production of dry buttermilk during September 2003 totaled 2.4 million pounds, 16.7% less than September 2002 but 0.4% above August 2003. Month ending stocks, at 2.2 million pounds, are 68.0% below a year ago and 5.1% less than August 2003.

F.O.B. CENTRAL: .8500 - 1.0200

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged and nominal. The market tone remains firm. There is a light test to the spot market as there is little or no powder being traded. Some LTL or resale sales are occasionally noted. Churning activity remains light and most of the buttermilk is clearing as a liquid. Dry buttermilk production during September 2003 totaled 2.4 million pounds, down 16.7% from last September but 0.4% more than August 2003. Month ending stocks, at 2.2 million pounds, are 68.0% less than last year and 5.1% less than a month ago.

F.O.B. NORTHEAST: .8250 - .8400

DELVD SOUTHEAST: .8500 - .8700

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are slightly higher and are nominal. Spot trading activity is very light. Most producers are behind on even contract orders and much of current production is committed. Market prices are untested. There are higher prices reported in other regions and the resale market. Drying schedules are trending only slightly higher seasonally. U.S. dry buttermilk production in September totaled 2.4 million pounds, down 16.7% from last year but 0.4% higher than August. Stocks at the end of September were reported at 2.2 million pounds, 68.0% less than last year.

F.O.B. WEST: .8500 - .8800 MOSTLY: .8500 - .8600

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to higher within the range and nominal. The market tone is steady. Spot trading is limited and current output is mostly filling contracts. Dry whole milk production during September 2003 totaled 5.2 million pounds, up 7.3% from last September and 98.7% more than August 2003. Month ending stocks are not reported for this product.

F.O.B. PRODUCING PLANT: 1.0650 - 1.2000

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 TO DATE  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	22,733	MT (50,117,171 LBS)
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Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged on a mostly steady market. Trade activity is very light and mostly contractual. Some producers were surprised that prices reported last week did not trend higher, especially since supplies are reported as in balance and orders for next year are in negotiation. However, some buyers are noting changes in the cheese market and suspect that changes in the whey market may be developing. Spot sales from resellers are available at prices near the average into some feed facilities. Production is trending lower due to limited milk supplies at some locations and reduced cheese output in response to lower cheese prices. Production of human food, dry whey during September 2003 totaled 79.3 million pounds, 6.2% less than September 2002 and 4.3% below August 2003. Month ending stocks, at 37.2 million pounds, are 21.3% above a year ago but 10.3% less than August 2003.

F.O.B. CENTRAL: .1925 - .2075 MOSTLY: .1950 - .2000

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are mostly steady. The market tone though firm in the East, is not as firm as it was a few weeks ago. There is a rather strange scenario right now in the dry whey market. Eastern producers aren't making enough to meet contracts, but prices are not increasing very fast. Spot demand, though good, isn't pushing the market. A trader commented that it is "a struggle to sell every load" which would be counter to the normal patterns in a firm market. Production levels are light. Most Eastern producers are not getting desired volumes of milk through their plants and except for contracts, some are out of the market for the rest of the year. Also, as the CME cheese prices fall, producers are not eager to make more cheese. At the plant level, there is little dry whey in the East, but reports of increased offerings are noted from the West. Production of human food, dry whey during September 2003 totaled 79.3 million pounds, 6.2% less than September 2002 and 4.3% less than August 2003. Month ending stocks, at 37.2 million pounds, are 21.3% above last year but 10.3% less than a month ago. Production of animal feed, dry whey during September totaled 8.7 million pounds, 69.3% more than a year ago and 12.4% above August 2003.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2025 - .2200  
DELVD SOUTHEAST: .2225 - .2425

**DRY WHEY - WEST**

Mostly Western whey prices have held steady for the past few weeks. A number of manufacturing plants are suggesting that sales activity is leveling off and, in instances, some powder is beginning to back up. Buyers and sellers are uncertain what impact this will have on short term prices. With the sharp price declines noted for cheese in the past week, some are wondering if production of cheese and whey will decline. U.S. edible whey production in September totaled 79.3 million pounds, down 6.2% or 5.2 million pounds less than last year. Output in the Western region totaled 21.2 million pounds, down 18.7% or 4.9 million pounds.

NONHYGROSCOPIC: .1700 - .2150 MOSTLY: .1900 - .2000

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a generally steady market. Supplies remain limited for the fair to good interest. Veal and early weaned pig prices are trending lower. Production of animal, dry whey during September 2003 totaled 8.7 million pounds, 69.3% more than September 2002 and 12.4% above August 2003. Month ending stocks, at 3.4 million pounds, are 58.6% above a year ago and 5.7% more than August 2003.

F.O.B. CENTRAL:  
MILK REPLACER: .1800 - .1875

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Trade activity is improved compared to the week prior. Some price resistance is reported, encouraging some producers to reduce premiums. Supplies are in better balance yet some producers continue to report shipment delays to end-users. Some low protein loads are readily being traded into the feed industry. Production is unchanged to lower due to varied availability of wet solids at some locations. Production of HUMAN FOOD WPC during September 2003 totaled 23.3 million pounds, up 13.9% from September 2002 but 3.1% below August 2003. Manufacturers' end-of-month stocks totaled 23.4 million pounds, 6.8% higher than a year ago but 8.0% below last month. Production of ANIMAL FEED WPC during September 2003 totaled 3.0 million pounds, down 2.3% from September 2002 and 10.0% below August 2003. Manufacturers' end-of-month stocks totaled 1.7 million pounds, 29.5% above last year and 8.3% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5325 - .5725 MOSTLY: .5325 - .5525

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Some first quarter export contracts have been finalized at higher prices. West coast buyers seeking supplies are price resistant to significant increases next year. Current spot load movement is light for the good candy, infant formula and confectionary interest. Large candy operations are seeking contractual orders for next year. Supplies remain short, especially on the higher mesh sizes. Production is unchanged to lower due to varied availability of wet solids at some locations. At the higher prices, feed interest in lactose is generally steady. Lactose production during September 2003 totaled 50.6 million pounds, up 13.6% from September 2002 and 1.6% higher than August 2003. Month ending stocks, at 37.4 million pounds, are 4.8% lower than a year ago but 0.1% above last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2650 MOSTLY: .2050 - .2200

**CASEIN - NATIONAL**

Casein markets remain firm. Prices are expected to remain at current levels or higher in coming months. In many instances, suppliers indicate that stocks of both rennet and acid are in very close balance to short of full needs. Most suppliers state that they should be able to fill contracted volumes but will be very limited on additional volumes for spot or new buyer interest. On October 31, the Commodity Credit Corporation issued invitation #011 which invites competitive offers to buy from CCC an undetermined quantity of nonfat dry milk for the production of casein and or caseinate. Bids are due on November 13 with successful offerors notified on the 14th. Recent successful bids were at \$0.22 per pound. Since June of 2002, slightly more than 6.5 million pounds of government owned powder has been sold for this purpose.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1000 - 2.2000  
ACID: 2.0500 - 2.2500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production levels remain light. Not only are surplus milk volumes tight, but milk prices are as high as they have been since the fall of 2001. Retailers are pulling increasing volumes to meet projected, Thanksgiving features. Producer stocks are being reduced along seasonal patterns. Canned evaporated milk production during September totaled 41.5 million pounds, 6.1% less than September 2002 and 7.1% less than August 2003. Month ending stocks, at 76.8 million pounds, are 5.6% less than a year ago and 13.4% below last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.



## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	10/22	10/23	10/24	10/27	10/28	10/29	10/30	10/31	11/03	11/04
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
OCT 03	14.35 (5765) 46	14.35 (5767) 18	14.35 (5761) 31	14.34 (5770) 106	14.34 (5768) 8	14.35 (5752) 6	14.38 (5622) 0	14.39		
NOV 03	13.28 (5174) 267	13.06 (5370) 349	13.17 (5294) 275	12.95 (5268) 360	12.95 (5319) 269	13.05 (5311) 211	12.92 (5234) 464	13.16 (5231) 405	13.16 (5290) 290	13.18 (5191) 457
DEC 03	12.34 (3866) 195	12.03 (3921) 107	12.03 (3936) 97	11.94 (3891) 219	11.80 (3842) 146	11.80 (3862) 36	11.70 (3833) 106	11.90 (3819) 92	11.75 (3835) 77	11.82 (3889) 323
JAN 04	11.70 (1591) 94	11.65 (1608) 34	11.68 (1625) 32	11.60 (1705) 128	11.55 (1720) 16	11.40 (1733) 60	11.50 (1730) 71	11.55 (1737) 7	11.51 (1751) 34	11.55 (1778) 129
FEB 04	11.48 (1428) 77	11.42 (1441) 19	11.40 (1449) 11	11.30 (1467) 34	11.30 (1477) 28	11.25 (1486) 42	11.25 (1500) 70	11.30 (1504) 17	11.26 (1511) 27	11.35 (1562) 119
MAR 04	11.45 (1204) 83	11.39 (1212) 4	11.39 (1211) 13	11.31 (1228) 35	11.32 (1239) 27	11.31 (1234) 46	11.28 (1276) 31	11.31 (1265) 42	11.30 (1274) 10	11.35 (1359) 106
APR 04	11.39 (1034) 64	11.33 (1034) 4	11.33 (1040) 8	11.29 (1058) 36	11.29 (1006) 66	11.29 (1001) 18	11.27 (1001) 6	11.25 (1001) 7	11.25 (1002) 5	11.30 (1041) 54
MAY 04	11.35 (910) 61	11.30 (911) 6	11.31 (916) 8	11.22 (933) 33	11.22 (874) 75	11.22 (875) 9	11.22 (876) 5	11.25 (877) 9	11.23 (878) 7	11.30 (919) 49
JUN 04	11.98 (711) 33	11.95 (711) 0	11.95 (716) 7	11.96 (739) 41	11.96 (751) 25	11.95 (753) 64	11.95 (756) 9	11.95 (762) 8	11.95 (772) 27	12.00 (784) 16
JUL 04	12.44 (564) 1	12.44 (567) 4	12.40 (567) 0	12.40 (569) 17	12.40 (573) 4	12.35 (574) 14	12.35 (579) 9	12.35 (591) 19	12.35 (593) 7	12.44 (611) 24
AUG 04	12.80 (559) 26	12.76 (560) 1	12.75 (560) 0	12.75 (563) 17	12.75 (567) 5	12.70 (569) 15	12.70 (573) 7	12.70 (585) 19	12.70 (584) 1	12.75 (595) 18
SEP 04	13.30 (665) 26	13.26 (665) 0	13.25 (667) 2	13.25 (670) 18	13.25 (675) 6	13.25 (679) 25	13.30 (683) 7	13.30 (701) 29	13.30 (711) 27	13.40 (723) 17
OCT 04	12.59 (361) 2	12.54 (361) 0	12.54 (361) 0	12.54 (375) 15	12.54 (376) 1	12.54 (375) 42	12.60 (376) 8	12.60 (384) 19	12.60 (415) 54	12.71 (442) 34
NOV 04	12.15 (286) 2	12.10 (285) 1	12.07 (285) 0	12.07 (299) 16	12.07 (299) 0	12.07 (308) 15	12.07 (310) 4	12.07 (321) 18	12.05 (321) 11	12.15 (332) 19
DEC 04	11.62 (288) 5	11.61 (288) 0	11.61 (288) 0	11.61 (288) 0	11.61 (288) 0	11.61 (294) 16	11.62 (296) 4	11.62 (307) 18	11.60 (307) 1	11.67 (311) 10
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
OCT 03	10.36 (3) 0	10.36 (4) 1	10.20 (4) 0	10.20 (4) 0	10.20 (4) 0	10.20 (4) 0	10.20 (4) 0	10.16		
NOV 03	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0
DEC 03	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0	10.12 (1) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
OCT 03	118.50									
DEC 03	120.00 (396) 0	120.00 (396) 0	120.00 (397) 2	118.00 (397) 0	118.00 (397) 0	118.50 (386) 11	118.50 (364) 24	118.25 (356) 34	117.50 (351) 9	117.00 (347) 4
MAR 04	131.75 (103) 0	131.75 (103) 0	131.75 (103) 0	131.75 (103) 0	131.75 (104) 1	129.00 (119) 20	129.25 (131) 13	129.25 (147) 26	129.25 (147) 1	129.00 (147) 1
MAY 04	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (14) 0	133.00 (23) 11	132.00 (28) 5	133.00 (28) 0	133.00 (28) 0	133.00 (28) 0	133.00 (28) 0
JUL 04	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (17) 0	135.75 (18) 1	135.00 (18) 0	135.00 (18) 0	135.00 (18) 0	135.00 (20) 2	135.00 (20) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered October 27 - November 7, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** The late season spurt in milk production has been referred to as a "second peak". Although this volume was not as high as the spring flush in all countries, milk receipts were heavier in many. Germany and the Netherlands reported higher production trends, while Ireland and France were not as strong. Milk quotas are being looked at in many of the countries that are realizing significant increases and producers in some of the countries are already looking at what will they have to do to adjust their deliveries before March 31, 2004. This late season increase in milk volumes allowed for some unexpected increases in manufacturing schedules which enhanced inventories in many parts of Europe. Up to that point, stocks were not that plentiful and now handlers and traders have product to work with. International buying interest remains slow. Some recent sales have been reported for shipment later in the year. Some traders are indicating that buyers are taking a wait and see attitude to long term commitments. Buyers are aware of European conditions and overall supplies, but question to what extent will Oceania sources be in the coming months. At this point, milk production in New Zealand is ahead of last season by 3 - 4%, but in Australia, milk output is 8% below a year ago. The Euro continues to fluctuate against the U.S. dollar. This is causing buyers and sellers much unsettledness in negotiations of potential sales, although in recent days, the Euro/dollar relationship has been more favorable than just last week.

**BUTTER/BUTTEROIL:** European butter prices are generally unchanged, although the market tone is firm. Churning activity in recent weeks has been stronger as additional milk volumes have become available to many manufacturing facilities. Stocks of butter are sufficient for internal or domestic needs with international sales slow. Russia continues to secure additional volumes of butterfat for their upcoming winter needs.

82% BUTTERFAT:	1,575 - 1,700
99% BUTTERFAT:	1,750 - 2,000

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are generally steady. A recent increase in milk production in some European countries has caused manufacturing schedules to increase, thus traders and handlers state that powder stocks are available for buyer needs. At this point, many buyers are taking a wait and see attitude towards placing orders and commitments. The fluctuating Euro against the U.S. dollar continues to cause turmoil with potential sales, although traders indicate that recent Euro weakness is helping.

1.25% BUTTERFAT:	1,750 - 1,850
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**WHOLE MILK POWDER (WMP):** Whole milk powder markets are steady to firm with prices unchanged to slightly higher. Many traders and handlers feel that prices should be nearing the top, especially if European supplies are to remain competitive for international trade. Stocks are available as recent increased milk production in some countries caused heavier manufacturing schedules.

26% BUTTERFAT:	1,900 - 2,000
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**SWEET WHEY POWDER:** Whey powder markets are generally steady although prices did weaken slightly. Demand remains quite strong from animal feed producers. A significant portion of the recent 2155 mt Japanese whey tender is being sourced from Europe. Stocks are available as cheese production gained momentum with the additional volume of available milk.

NONHYGROSCOPIC:	450 - 600
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**OVERVIEW: EASTERN EUROPE:** Milk production continues to decline seasonally in Eastern Europe. This part of Europe is realizing typical declines for this time of the year, but also declines are occurring due to lighter than desired feed stocks. Many producers are already cutting into winter feed stocks which could cause problems later in the winter. Stocks of manufactured dairy products are often not at desired levels, thus international availability from this region appears to be lower for the upcoming winter months.

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in New Zealand and Australia continues to build toward seasonal peak levels. In New Zealand, the North Island is getting close to peak levels with reports from the South Island indicating that strong growth continues to occur. At this point, overall output in New Zealand is running between 3 - 4% ahead of last year at this time. Milk handlers remain optimistic that annual output will be in the area of 2% heavier than last year. Many indicate that even though production still has a ways to go before reaching peak levels in much of the country, milk handlers indicate that there are still weather related factors that could greatly influence production trends for the last half of the season. In Australia, milk output continues to increase toward seasonal peak levels although overall milk volumes are trailing last year. Some real good rains have occurred in Victoria over the past month, although these are not having a significant positive impact on overall production trends. Official Australian milk production figures for the first quarter of their year (July - September) are due to be released soon and many milk handlers are not overly optimistic about the results of the report. The season has been slow in developing in comparison to previous years, thus many are expecting overall declines of 8 - 9% to be reported. Stocks of manufactured dairy products in Oceania are in close balance to tight. Often, new production has already been fully committed, thus additional volumes for spot or new buyer interest are limited, if available at all. Although milk production trends are more positive in New Zealand than they are in Australia, handlers and traders in both countries are very cautious to not over commit themselves.

**BUTTER:** Oceania butter markets and prices are holding basically steady. The milk production season is increasing toward seasonal peak levels in both Australia and New Zealand, thus butter production is seasonally strong. At this point, butter producers and handlers are indicating that supplies are in close balance with minimal volumes available for spot or new buyer interest. For the most part, early season production has been fully committed.

82% BUTTERFAT:	1,450 - 1,550
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**CHEDDAR CHEESE:** Cheese markets and prices are firm. Demand is strong with supplies in close balance and often referred to as limited. As milk production increases seasonally, many producers and handlers are actively taking advantage of milk volumes for cheese production. At this point, cheese is often receiving the better return and sales negotiations continue to occur with regular and ongoing customers, thus producers and handlers want to make sure they have product available.

39% MAXIMUM MOISTURE:	2,050 - 2,150
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**SKIM MILK POWDER (SMP):** Oceania skim milk powder prices and markets are holding steady. Basically, Oceania prices are very comparable to prices in Europe and the U.S. Many handlers and traders are questioning when will the U.S. announce another allocation of their annual DEIP volumes. This is a concern for many, but on the other hand, they indicate that they would probably not be able to compete anyway due to limited supplies of uncommitted powder. Most trading activity continues to center around regular and ongoing customer needs.

1.25% BUTTERFAT:	1,750 - 1,850
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**WHOLE MILK POWDER (WMP):** Whole milk powder prices and markets are generally steady. Milk output in Oceania is increasing seasonally and is near peak levels on the North Island of New Zealand. Powder production is seasonally strong and is keeping pace with demand. In most instances, producers and handlers are stating that supplies are in close balance with some indicating tight supplies. Most sales activity is centered around previous customer needs.

26% BUTTERFAT:	1,750 - 1,850
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Exchange rates for selected foreign currencies: NOVEMBER 03, 2003

.7501 Canadian Dollar	.0221 Indian Rupee
.3500 Argentina Peso	.6075 New Zealand Dollar
.0910 Mexican Peso	.6985 Australian Dollar
.2468 Polish Zloty	.0090 Japanese Yen
	1.1451 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0910)= 10.6890. That is 1 US Dollar equals 10.6890 Mexican Pesos.

Source: "Wall Street Journal"



MONTHLY SUMMARY AND AVERAGES FOR OCTOBER 2003 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TIL)

COMMODITY	::REPORT NUMBER 40	::REPORT NUMBER 41	::REPORT NUMBER 42	::REPORT NUMBER 43	::REPORT NUMBER 44	:: 2003	:: 2002
	::-----	::-----	::-----	::-----	::-----	:: Average	:: Average
	:: OCT 01 - 03	:: OCT 06 - 10	:: OCT 13 - 17	:: OCT 20 - 24	:: OCT 27 - 31	:: or Total	:: or Total

## CHEESE

## WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	:: 1.7450 - 1.9100	:: 1.7375 - 1.9100	:: 1.7225 - 1.9100	:: 1.7400 - 1.9100	:: 1.7300 - 1.9100	:: 1.8223	:: 1.4240
-- Brick And/Or Muenster 5#	:: 1.9900 - 2.2625	:: 1.9900 - 2.2625	:: 1.9900 - 2.2625	:: 1.9900 - 2.2625	:: 1.9900 - 2.2625	:: 2.1263	:: 1.7143
-- Cheddar 40# Block	:: 1.8900 - 2.1150	:: 1.8900 - 2.1150	:: 1.8900 - 2.1150	:: 1.8900 - 2.1150	:: 1.8900 - 2.1150	:: 2.0025	:: 1.8216
-- Monterey Jack 10#	:: 2.1150 - 2.2200	:: 2.1150 - 2.2200	:: 2.1150 - 2.2200	:: 2.1150 - 2.2200	:: 2.1150 - 2.2200	:: 2.1675	:: 1.9509
-- Blue 5#	:: 2.3550 - 2.6900	:: 2.3550 - 2.6900	:: 2.3550 - 2.6900	:: 2.3550 - 2.6900	:: 2.3550 - 2.6900	:: 2.5225	:: 2.1497
-- Mozzarella 5 - 6#	:: 1.9050 - 2.2150	:: 1.9050 - 2.2150	:: 1.9050 - 2.2150	:: 1.9050 - 2.2150	:: 1.9050 - 2.2150	:: 2.0600	:: 1.8733
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.6850	:: 2.2500 - 2.6850	:: 2.2500 - 2.6850	:: 2.2500 - 2.6850	:: 2.2500 - 2.6850	:: 2.4675	:: 2.2630

## NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 10# Prints	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.6650 - 2.1600	:: 1.9125	:: 1.5491
-- Cheddar Single Daisies	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.6225 - 2.0875	:: 1.8550	:: 1.4891
-- Cheddar 40# Block	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.7400 - 1.9875	:: 1.8638	:: 1.4934
-- Process 5# Loaf	:: 1.7750 - 1.9775	:: 1.7675 - 1.9700	:: 1.7525 - 1.9550	:: 1.7700 - 1.9700	:: 1.7600 - 1.9600	:: 1.8653	:: 1.4197
-- Process 5# Sliced	:: 1.7950 - 2.0450	:: 1.7875 - 2.0375	:: 1.7725 - 2.0225	:: 1.7900 - 2.0375	:: 1.7800 - 2.0275	:: 1.9091	:: 1.4831
-- Muenster	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.8375 - 2.0300	:: 1.9338	:: 1.5666
-- Grade A Swiss Cuts 10 - 14#	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.3500 - 2.5500	:: 2.4500	:: 2.4500

## WEST COAST (WSP, Delivered, LTL)

-- Process 5# Loaf	:: 1.7175 - 1.9775	:: 1.7075 - 1.9675	:: 1.6925 - 1.9525	:: 1.7075 - 1.9675	:: 1.6975 - 1.9575	:: 1.8339	:: 1.3976
-- Cheddar 40# Block	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.7300 - 2.0800	:: 1.9050	:: 1.4316
-- Cheddar 10# Cuts	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 1.9100 - 2.1300	:: 2.0200	:: 1.6516
-- Monterey Jack 10#	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 1.9200 - 2.0800	:: 2.0000	:: 1.6316
-- Grade A Swiss Cuts 6 - 9#	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.2500 - 2.4600	:: 2.3550	:: 2.3350

## FLUID PRODUCTS

## SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

-- Northeast - f.o.b	:: 1.6364 - 1.8973	:: 1.6273 - 1.8631	:: 1.6330 - 1.8223	:: 1.5373 - 1.7738	:: 1.5664 - 1.7326	:: 1.7028	:: 1.3719
-- Atlanta - dlvd. equiv.	:: 1.6483 - 1.8972	:: 1.6390 - 1.8631	:: 1.6448 - 1.8341	:: 1.5964 - 1.7974	:: 1.6139 - 1.7800	:: 1.7273	:: 1.3963
-- Upper Midwest - f.o.b	:: 1.5771 - 1.7431	:: 1.5565 - 1.7334	:: 1.5383 - 1.7158	:: 1.5136 - 1.6555	:: 1.5902 - 1.6614	:: 1.6257	:: 1.4064

## PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.

-- Class II	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.8700 - 0.9300	:: 0.9000	:: 1.0066
-- Class III	:: 1.1500 - 1.3000	:: 1.1500 - 1.3000	:: 1.1500 - 1.3000	:: 1.2000 - 1.3000	:: 1.2000 - 1.3000	:: 1.2364	:: 0.9017

## NATIONAL EVAPORATED MILK (\$ per Case)

(Case - 48 - 12 fluid oz cans)

-- Delivered Major U.S. Cities	::19.0000 -30.0000	::19.0000 -30.0000	::19.0000 -30.0000	::19.0000 -30.0000	::19.0000 -30.0000	:: 24.5000	:: 24.0000
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MONTHLY SUMMARY AND AVERAGES FOR OCTOBER 2003 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 40 ::	::REPORT NUMBER 41 ::	::REPORT NUMBER 42 ::	::REPORT NUMBER 43 ::	::REPORT NUMBER 44 ::	2003 Average	2002 Average
	OCT 01 - 03	OCT 06 - 10	OCT 13 - 17	OCT 20 - 24	OCT 27 - 31	or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8300 - 0.8700	:: 0.8300 - 0.8700	:: 0.8300 - 0.8700	:: 0.8300 - 0.8800	:: 0.8300 - 0.8800	:: 0.8523	:: 0.9563
-- Mostly	:: 0.8425 - 0.8600	:: 0.8425 - 0.8600	:: 0.8425 - 0.8600	:: 0.8425 - 0.8600	:: 0.8425 - 0.8600	:: 0.8513	:: 0.9550
-- High Heat	:: 0.8650 - 0.9450	:: 0.8650 - 0.9450	:: 0.8650 - 0.9450	:: 0.8650 - 0.9450	:: 0.8650 - 0.9450	:: 0.9050	:: 0.9980
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.8000 - 0.8825	:: 0.8000 - 0.8825	:: 0.8000 - 0.8825	:: 0.8000 - 0.8825	:: 0.8000 - 0.8825	:: 0.8413	:: 0.9263
-- Mostly	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8000 - 0.8150	:: 0.8075	:: 0.9063
-- High Heat	:: 0.8350 - 0.8500	:: 0.8350 - 0.8500	:: 0.8350 - 0.8500	:: 0.8350 - 0.8500	:: 0.8350 - 0.8500	:: 0.8425	:: 0.9488
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.1900 - 0.2050	:: 0.1900 - 0.2050	:: 0.1925 - 0.2050	:: 0.1950 - 0.2050	:: 0.1925 - 0.2075	:: 0.1989	:: 0.2426
-- Mostly	:: 0.1900 - 0.1950	:: 0.1900 - 0.1950	:: 0.1925 - 0.1975	:: 0.1950 - 0.2000	:: 0.1950 - 0.2000	:: 0.1952	:: 0.2405
-- West (f.o.b.)	:: 0.1700 - 0.2050	:: 0.1700 - 0.2050	:: 0.1700 - 0.2125	:: 0.1700 - 0.2125	:: 0.1700 - 0.2150	:: 0.1902	:: 0.2043
-- Mostly	:: 0.1850 - 0.1925	:: 0.1850 - 0.1975	:: 0.1875 - 0.2000	:: 0.1900 - 0.2000	:: 0.1900 - 0.2000	:: 0.1931	:: 0.1916
-- Northeast (f.o.b.)	:: 0.1950 - 0.2100	:: 0.1975 - 0.2125	:: 0.1975 - 0.2150	:: 0.2000 - 0.2175	:: 0.2025 - 0.2200	:: 0.2072	:: N.A.
-- Southeast (Delvd)	:: 0.2150 - 0.2300	:: 0.2150 - 0.2300	:: 0.2175 - 0.2325	:: 0.2200 - 0.2350	:: 0.2225 - 0.2375	:: 0.2258	:: 0.2736
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.4950 - 0.5350	:: 0.4950 - 0.5650	:: 0.5100 - 0.5650	:: 0.5100 - 0.5650	:: 0.5200 - 0.5725	:: 0.5347	:: 0.4705
-- Mostly	:: 0.5050 - 0.5100	:: 0.5125 - 0.5225	:: 0.5175 - 0.5275	:: 0.5175 - 0.5275	:: 0.5225 - 0.5425	:: 0.5216	:: 0.4675
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.1700 - 0.1750	:: 0.1700 - 0.1750	:: 0.1800 - 0.1875	:: 0.1800 - 0.1875	:: 0.1800 - 0.1875	:: 0.1797	:: 0.2139
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.8500 - 0.9000	:: 0.8500 - 0.9000	:: 0.8500 - 0.9000	:: 0.8500 - 0.9000	:: 0.8500 - 0.9000	:: 0.8750	:: 0.8352
-- West (f.o.b.)	:: 0.8200 - 0.8600	:: 0.8300 - 0.8700	:: 0.8300 - 0.8800	:: 0.8300 - 0.8800	:: 0.8300 - 0.8800	:: 0.8518	:: 0.7559
-- Mostly	:: 0.8300 - 0.8500	:: 0.8400 - 0.8600	:: 0.8400 - 0.8600	:: 0.8400 - 0.8600	:: 0.8400 - 0.8600	:: 0.8486	:: 0.7500
-- Northeast (f.o.b.)	:: 0.8000 - 0.8200	:: 0.8000 - 0.8200	:: 0.8000 - 0.8200	:: 0.8100 - 0.8400	:: 0.8250 - 0.8400	:: 0.8185	:: 0.8075
-- Southeast (Delvd)	:: 0.8400 - 0.8700	:: 0.8400 - 0.8700	:: 0.8400 - 0.8700	:: 0.8500 - 0.8700	:: 0.8500 - 0.8700	:: 0.8573	:: 0.8264
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.0650 - 1.1800	:: 1.0650 - 1.2000	:: 1.0650 - 1.2000	:: 1.0650 - 1.2000	:: 1.0650 - 1.2000	:: 1.1311	:: 1.1425
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1950 - 0.2500	:: 0.1950 - 0.2625	:: 0.1950 - 0.2650	:: 0.1950 - 0.2650	:: 0.1950 - 0.2650	:: 0.2287	:: 0.1878
-- Mostly	:: 0.2050 - 0.2200	:: 0.2050 - 0.2200	:: 0.2050 - 0.2200	:: 0.2050 - 0.2200	:: 0.2050 - 0.2200	:: 0.2125	:: 0.1630
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 2.0500 - 2.1500	:: 2.0500 - 2.1500	:: 2.0500 - 2.1500	:: 2.1000 - 2.2000	:: 2.1000 - 2.2000	:: 2.1227	:: 1.9750
-- Nonrestricted - Acid	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0000 - 2.1500	:: 2.0500 - 2.2500	:: 2.0500 - 2.2500	:: 2.1091	:: 1.8000

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.



## CHICAGO MERCANTILE EXCHANGE AVERAGES FOR OCTOBER 2003

COMMODITY	::REPORT NUMBER 40::	REPORT NUMBER 41::	REPORT NUMBER 42::	REPORT NUMBER 43::	REPORT NUMBER 44::	2003 *	2002 *
	::-----::	-----::	-----::	-----::	-----::	Monthly	Monthly
	:: OCT 1 - 3 ::	OCT 6 - 10 ::	OCT 13 - 17 ::	OCT 20 - 24 ::	OCT 27 - 31 ::	Average	Average
BUTTER*							
-- GRADE AA							
--Monday	::	:: 1.1700	:: 1.1800	:: 1.1800	:: 1.1900	::	:
--Tuesday	::	::	::	::	::	::	:
--Wednesday	:: 1.1850	:: 1.1900	:: 1.1825	:: 1.1925	:: 1.1900	::	:
--Thursday	::	::	::	::	::	::	:
--Friday	:: 1.1700	:: 1.1900	:: 1.1850	:: 1.1875	:: 1.1925	:: 1.1846	: 1.0315
--Weekly Average**	:: 1.1792	:: 1.1833	:: 1.1825	:: 1.1867	:: 1.1908	::	:
CHEESE*							
-- BARRELS							
--Monday	::	:: 1.5350	:: 1.5550	:: 1.5600	:: 1.5000	::	:
--Tuesday	::	:: 1.5400	:: 1.5600	:: 1.5600	:: 1.5000	::	:
--Wednesday	:: 1.5650	:: 1.5450	:: 1.5600	:: 1.5550	:: 1.5000	::	:
--Thursday	:: 1.5650	:: 1.5450	:: 1.5600	:: 1.5400	:: 1.4600	::	:
--Friday	:: 1.5300	:: 1.5500	:: 1.5600	:: 1.5350	:: 1.4575	:: 1.5364	: 1.0970
--Weekly Average**	:: 1.5570	:: 1.5430	:: 1.5590	:: 1.5500	:: 1.4835	::	:
-- 40# BLOCKS							
--Monday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	::	:
--Tuesday	::	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.5900	::	:
--Wednesday	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.5400	::	:
--Thursday	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.5000	::	:
--Friday	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.4850	:: 1.5876	: 1.1950
--Weekly Average**	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.6000	:: 1.5430	::	:
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Tuesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Wednesday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Thursday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Friday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	: 0.9137
--Weekly Average**	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
-- GRADE A							
--Monday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Tuesday	::	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Wednesday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Thursday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:
--Friday	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	: 0.9287
--Weekly Average**	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	:: 0.8400	::	:

\* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

\*\* Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.



**OCTOBER 2003 DEIP BID ACCEPTANCES**

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
<b>NONFAT DRY MILK</b>				
JULY 2003 – SEPTEMBER 2003		22,733		
OCTOBER 1 – 31, 2003		<u>0</u>		
JULY 2003 – OCTOBER 2003		<u>22,733</u>		
<b>CHEESE</b>				
JULY 2003 – SEPTEMBER 2003				
OCTOBER 1 - 31, 2003		<u>0</u>		
JULY 2003 – OCTOBER 2003		<u>0</u>		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ-MONTEREY JACK, V-VARIETAL				
<b>BUTTERFAT</b>				
JULY 2003 – SEPTEMBER 2003				
OCTOBER 1 - 31, 2003		<u>0</u>		
JULY 2003 – OCTOBER 2003		<u>0</u>		
A-ANHYDROUS MILKFAT, B-BUTTER				
				PROGRAM TO DATE
TOTAL MT				22,733
TOTAL BONUS VALUE				\$2,749,629

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture's Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds. **SOURCE: FOREIGN AGRICULTURAL SERVICE**

Allocations for the DEIP year beginning July 1, 2003: Nonfat Dry Milk – 68,201 MT; Cheese – 3,030 MT; Butterfat – 21,097 MT

Allocations are being announced in stages. Stage one is for 22,733 MT of Nonfat Dry Milk, 7,032 MT of Butter and 1,010 MT of Cheese.



## OCTOBER AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in October 2003 advanced 1 point to 130. Compared with October 2002, the index was up 5 points (4.0 percent). The index of prices received by farmers for dairy products advanced 3 points during the month of October 2003 to 113. Compared with October 2002, the index was up 20 points (21.5 percent).

Prices received by farmers in October with changes from September were: for All Milk, \$14.80 per hundredweight (cwt.), up \$.40; for Fluid Grade Milk, \$14.80 per cwt., up \$.40; and for Manufacturing Grade Milk, \$14.40 per cwt., up \$.30.

## SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., OCTOBER 2003 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	SEPTEMBER		OCTOBER		OCTOBER		OCTOBER		OCTOBER	
	2003	2002 <u>2/</u>	2003 <u>4/</u>	2002 <u>2/</u>	2003 <u>4/</u>	2002 <u>2/</u>	2003 <u>7/</u>	2002 <u>8/</u>	2003	2002
CA	13.01	10.48	13.10	10.86	1,300	1,450	42.00	32.50	87.00	89.00
ID	13.60	10.90	14.10	11.30	1,550	1,550	41.80	32.30	91.00	101.00
MI	14.60	11.60	15.00	12.00	1,380	1,500	46.00	36.00	84.00	89.00
MN	15.40	11.70	15.60	12.40	1,310	1,280	51.50	36.50	63.00	63.00
NM	14.00	11.30	14.40	12.10	1,430	1,550	42.20	35.80	130.00	140.00
NY	14.90	12.00	15.40	12.50	1,300	1,400	---	---	126.00	103.00
PA	15.90	13.20	16.50	13.60	1,350	1,420	43.20	35.00	131.00	126.00
TX	15.10	12.70	15.20	13.00	1,460	1,500	39.90	33.20	83.00	80.00
WA	13.50	11.50	14.00	12.00	1,450	1,450	---	---	96.00	109.00
WI	15.10	11.70	15.30	12.60	1,420	1,350	46.10	33.20	67.00	64.00
U.S.	14.40	11.60	14.80	12.10	1,370	1,430	44.70	33.60	84.40	94.50

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

## MILK AND OTHER GENERAL PRICE MEASURES, U.S., OCTOBER 2003 WITH COMPARISONS

ITEM	OCTOBER 2002	SEPTEMBER 2003 <u>2/</u>	OCTOBER 2003 <u>3/</u>
<b>PRICES RECEIVED BY FARMERS</b> , dol. per cwt., at reported butterfat test:			
All milk	12.10	14.40	14.80
Fluid grade milk	12.10	14.40	14.80
Manufacturing grade milk	11.30	14.10	14.40
<b>INDEX NUMBERS</b> (1990-92=100):			
Prices received by farmers for all farm products	95	110	113
Prices received by farmers for dairy products	93	110	113
Prices paid by farmers for commodities and services, interest taxes, and wage rates	125	129	130
Prices paid by farmers for production items	121	125	127
Prices paid by farmers for feed	116	114	118
<b>MILK FEED PRICE RATIO:</b> Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>3/</u>	2.46	3.11	3.23

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and whole wheat.

**SOURCE:** "Agricultural Prices," Pr 1 (10-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.



## SEPTEMBER 2003 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 72.8 million pounds in September, 21.6 percent below September 2002 but 3.8 percent above August 2003. **AMERICAN TYPE CHEESE** production totaled 290.4 million pounds, 1.0 percent above September 2002 but 3.9 percent below August 2003. **TOTAL CHEESE** output (excluding cottage cheese) was 706.3 million pounds, 3.3 percent above September 2002 but 0.4 percent below August 2003. **NONFAT DRY MILK** production, for human food, totaled 88.5 million pounds, 8.9 percent below September 2002 and 12.1 percent below August 2003. **DRY WHEY** production, for human food, was 79.3 million pounds, 6.2 percent below September 2002 and 4.3 percent below August 2003. **ICE CREAM** (hard) production totaled 71.6 million gallons, 2.5 percent above September 2002 but 5.5 percent below August 2003.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	SEP 2003	PERCENT CHANGE FROM:			PRODUCT	SEP 2003	PERCENT CHANGE FROM:		
	1,000 LBS.	SEP 2002	AUG 2003	YEAR TO DATE 1/		1,000 LBS.	SEP 2002	AUG 2003	YEAR TO DATE 1/
BUTTER	72,801	-21.6	3.8	-7.9	SOUR CREAM	73,606	---	-4.5	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	194,570	-2.4	1.3	---
AMERICAN TYPES 2/	290,404	1.0	-3.9	-1.5	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	214,487	0.2	-5.9	-3.3	SWEET-TYPE, HUMAN FOOD	8,677	-1.6	-5.7	---
SWISS	21,378	-0.1	3.6	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	7,213	-4.7	7.7	---	DRY WHEY, HUMAN FOOD	79,282	-6.2	-4.3	---
CREAM & NEUFCHATEL	65,629	6.7	12.5	---	DRY WHEY, ANIMAL FEED	8,660	69.3	12.4	---
HISPANIC	10,761	5.9	5.6	---	DRY WHEY, TOTAL	87,942	-1.9	-2.9	2.5
MOZZARELLA	229,795	1.6	-2.5	1.7	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	61,097	18.1	8.7	4.0	HUMAN FOOD	3,823	-10.4	-2.0	---
TOTAL ITALIAN TYPES	290,892	4.7	-0.3	2.1	ANIMAL FEED	3,059	-4.8	-1.8	---
ALL OTHER TYPES	20,000	12.0	4.0	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	50,552	13.6	1.6	---
TOTAL	706,277	3.3	-0.4	0.4	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	37,599	0.5	-5.7	---	HUMAN FOOD	23,268	13.9	-3.1	---
COTTAGE CHEESE, CREAM 4/	32,444	1.6	-2.0	2.6	ANIMAL FEED	3,014	-2.3	-10.4	---
COTTAGE CHEESE, LOWFAT 5/	32,546	3.3	-2.6	0.8	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
CANNED EVAPORATED & CONDENSED					ICE CREAM (HARD)	71,627	2.5	-5.5	-0.1
WHOLE MILK	41,498	-6.1	-7.1	---	ICE CREAM, LOWFAT (HARD)	7,819	2.5	-6.3	---
DRY WHOLE MILK	5,205	7.3	98.7	---	ICE CREAM, LOWFAT (SOFT)	24,765	18.4	-18.0	---
NONFAT DRY MILK, HUMAN FOOD	88,519	-8.9	-12.1	-6.3	ICE CREAM, LOWFAT (TOTAL)	32,584	14.2	-15.5	11.3
DRY SKIM MILK, ANIMAL FEED	465	-9.2	2.6	---	SHERBET (HARD)	4,407	6.9	-6.2	5.6
DRY BUTTERMILK	2,417	-16.7	0.4	---	YOGURT (TOTAL)	5,350	-11.5	-4.6	-9.9

## MANUFACTURERS' STOCKS, END OF MONTH 7/

PRODUCT	SEP 2003	PERCENT OF:		PRODUCT	SEP 2003	PERCENT OF:	
	1,000 LBS.	SEP 2002	AUG 2003		1,000 LBS.	SEP 2002	AUG 2003
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	37,237	21.3	-10.3	HUMAN FOOD	23,389	6.8	-8.0
DRY WHEY, ANIMAL FEED	3,391	58.6	5.7	ANIMAL FEED	1,662	29.5	8.3
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 8/	9,357	-10.3	-6.8	CANNED EVAPORATED & CONDENSED WHOLE MILK	76,770	-5.6	-13.4
LACTOSE, HUMAN FOOD & ANIMAL FEED	37,385	-4.8	0.1	NONFAT DRY MILK FOR HUMAN FOOD	70,409	-1.7	-6.5
DRY BUTTERMILK, TOTAL	2,215	-68.0	-5.1				

1/ 2003 cumulative as percent change of 2002 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Stocks held by manufacturers at all points and in transit. 8/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (11-03), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.



## FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, OCTOBER

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for October 2003 is \$1.2553 per pound. Thus, the Class II butterfat price is \$1.2623. The protein and other solids prices for October are \$3.2815 and \$0.0311 per pound, respectively. These component prices set the Class III skim milk price at \$10.36 per cwt. The October Class IV skim milk price is \$5.98 which is derived from the nonfat solids price of 0.6642 per pound.

**Product Price Averages:** The product price averages for October are; butter \$1.1611, nonfat dry milk \$0.8109, cheese \$1.5936, and dry whey \$0.1892.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/</u> <u>2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	OCTOBER 2003				NOVEMBER 2003
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	17.52	10.84	14.39	10.16	17.62
Appalachian (Charlotte) <u>5/</u>	005	17.37	10.84	14.39	10.16	17.47
Southeast (Atlanta) <u>6/</u>	007	17.37	10.84	14.39	10.16	17.47
Florida (Tampa ) <u>7/</u>	006	18.27	10.84	14.39	10.16	18.37
Mideast (Cleveland) <u>8/</u>	033	16.27	10.84	14.39	10.16	16.37
Upper Midwest (Chicago) <u>9/</u>	030	16.07	10.84	14.39	10.16	16.17
Central (Kansas City) <u>10/</u>	032	16.27	10.84	14.39	10.16	16.37
Southwest (Dallas) <u>11/</u>	126	17.27	10.84	14.39	10.16	17.37
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.62	10.84	14.39	10.16	16.72
Western (Salt Lake City) <u>13/</u>	135	16.17	10.84	14.39	10.16	16.27
Pacific Northwest (Seattle) <u>14/</u>	124	16.17	10.84	14.39	10.16	16.27
All-Market Average	---	16.85	10.84	14.39	10.16	16.95

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans, plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I price at Boise is minus \$0.30.

14/ Class I prices at other cities are: Portland, same; and Spokane, same.



**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF NOVEMBER 3 - 7, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 10/31/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	594,000	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	594,000	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	4,363,056	-0-	4,363,056	29,253,415	28,782,934	906,888,000	1,067,244,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
<b>TOTAL</b>	4,363,056	-0-	4,363,056	29,134,367	28,782,934	953,279,000	1,113,635,000

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF NOVEMBER 3 - 7, 2003 =	1.0	50.8	COMPARABLE PERIOD IN 2002 =	4.0	61.1
CUMULATIVE SINCE OCTOBER 1, 2003 =	6.4	339.1	CUMULATIVE SAME PERIOD LAST YEAR =	11.8	340.9
CUMULATIVE JANUARY 1 - NOVEMBER 7, 2003 =	698.5	6,751.9	COMPARABLE CALENDAR YEAR 2002 =	206.5	7,120.6

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE WEEK OF NOVEMBER 3 - 7, 2003 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	4,363,056	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	594,000	-0-	-0-	-0-	46.4
WEST	-0-	-0-	-0-	-0-	29,134,367	28,782,934	100.0	53.6
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	594,000	29,134,367	28,782,934	100.0	100.0

<b>NDM SELBACK TO THE TRADE</b>	<b>CENTRAL/EAST</b>	<b>WEST</b>	<b>TOTAL</b>	<b>PRICE</b>
OCTOBER 27 -31, 2003	132,276	-0-	132,276	\$ .8513

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 10/18/03 & Comparable Week 2002**

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2003-Dairy	0.2	0.7	9.0	5.9	21.3	3.2	0.5	1.2	16.2	3.0	61.2	2,282.1	50.3	47.9
2002-Dairy	0.2	0.8	7.0	5.2	19.5	2.3	0.5	0.8	13.3	2.2	51.8	2,054.1	44.4	46.1
2003-All cows	0.2	0.9	11.9	13.4	31.9	18.4	16.2	3.1	18.3	7.3	121.6	4,762.7		
2002-All cows	0.2	1.0	9.6	13.4	31.2	15.5	16.2	4.4	16.3	8.9	116.7	4,457.2		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

**FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81	9.64	9.71	9.74	9.77	10.97	13.71	14.27	14.37	
II	11.29	10.66	10.54	10.44	10.43	10.46	10.63	10.81	10.76	10.84		
III	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39		
IV	10.07	9.81	9.79	9.73	9.74	9.76	9.95	10.14	10.05	10.16		

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cis\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm)